

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAI'I

In the Matter of )  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to Investigate )  
The Implementation of Feed-in Tariffs. )  
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Docket No. 2008-0273

PUBLIC UTILITIES  
COMMISSION

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THE SOLAR ALLIANCE AND HAWAI'I SOLAR ENERGY ASSOCIATION'S  
COMMENTS RE: RELIABILITY STANDARDS WORKING GROUP

AND

CERTIFICATE OF SERVICE

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THE SOLAR ALLIANCE AND HAWAI'I SOLAR ENERGY ASSOCIATION'S  
COMMENTS RE: RELIABILITY STANDARDS WORKING GROUP

The Solar Alliance and Hawai'i Solar Energy Association (together, "SA/HSEA") hereby respectfully submit the following comments on the proposed "Reliability Standards Working Group" ("WG proposal" or "proposal") as described in the February 8 and 26, 2010 filings by Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Ltd. (collectively, the "HECO Companies").

I. BASIC CONCEPTS SHOULD BE MADE CLEAR AT THE OUTSET

Initially, SA/HSEA emphasize that key definitions and distinctions must be established on several basic concepts to minimize confusion and enable productive discussion:

- **"Reliability Standards,"** as that term is used in the industry, means a comprehensive set of standards such as the North American Electric Reliability Corporation or "NERC" standards governing *mainland grids, establishing the technical guidelines for reliable grid operation in a clear, objective, and transparent manner.*
- Currently, what the HECO Companies have proposed are not reliability standards, but rather an argument why more renewable energy should not enter the grid, and a vague set of principles granting the HECO Companies total discretion to equate "reliability" with whatever limits they feel like placing on distributed generation ("DG"). For lack of a better term, SA/HSEA will refer to HECO's concept of reliability standards as **"HECO Caps or Limits."** Such HECO Caps or Limits are a brand new concept the HECO Companies imposed for the first time in their February 8, 2010 filing, after continually refusing throughout this proceeding to provide the parties and Commission any information on any such potential limits.
- Finally, since true NERC-type reliability standards are lacking in Hawai'i and necessarily will take some time to develop, and all the

parties, presumably, prefer the FIT program proceed in the meantime, the HECO Companies and renewable energy industry need interim standards to facilitate the immediate implementation of the FIT program in particular and “provide greater predictability with respect to reliability issues for developers [than the “existing standards,” including tariff Rule 14H].” D&O at 50. SA/HSEA believe this is what the Commission meant by “FIT reliability standards.”

Unlike the HECO Companies, SA/HSEA never interpreted the interim FIT reliability standards as calling for a grid-wide cap, by which the HECO Companies could essentially redraw the FIT program caps the Commission established and impose blanket limits on all distributed renewables, but rather a list of technical requirements or guidelines, set forth in the most straightforward terms as possible, that would serve, as the Commission described, to “define most circumstances in which FIT projects can or cannot be incorporated on each island.” Id.

## II. OVERALL COMMENTS ON THE WORKING GROUP CONCEPT

Regarding the HECO Companies’ Working Group proposal, the SA/HSEA offer the following overall comments:

### A. Hawai‘i Needs True Reliability Standards.

First, SA/HSEA agree with Blue Planet Foundation and other intervenors that the HECO Companies -- and the people of Hawai‘i -- need true Reliability Standards analogous to the transparent and objective “NERC” standards governing mainland grids. Again, the HECO Companies simply provide an argument for Grid Limits, which are demonstrably not Reliability Standards. Without developing true Reliability Standards, renewable energy development in Hawai‘i will continually be subject to such arbitrary and haphazard limits based on whatever “standards” the HECO Companies believe they should impose at any given time. This will severely hinder, rather than promote, Hawai‘i’s goal of moving “decisively and irreversibly away from

imported fossil fuel,” as the HECO Companies promised in the October 2008 Energy Agreement (“Energy Agreement”). Id. at 1.

The development of comprehensive Reliability Standards, of course, affects all renewable energy projects, not just the FIT projects in this particular docket. Accordingly, it involves a larger and longer-term task than what the Commission evidently meant when it called for FIT reliability standards to facilitate the immediate implementation of the FIT program.

SA/HSEA take no position on whether the HECO Companies’ proposed Working Group should be the entity to develop Reliability Standards, and whether this should occur in this or some other independent docket, but emphasize that the need for such Standards is critical, inescapable, and urgent. SA/HSEA respectfully request this Commission, regardless of how it decides to proceed on any specific FIT reliability standards, to provide also for the establishment of Reliability Standards through some orderly and accountable process to protect the interests of stakeholders and the public.

B. The FIT Program and Other Renewable Energy Development Cannot  
And Should Not Wait Until The Establishment of Reliability Standards.

Second, notwithstanding the need to establish comprehensive Reliability Standards, Hawai’i cannot afford to stop and wait in the meantime, but must continue to move on clean energy development based on the understanding, shared by the HECO Companies, that “the very future of our land, our economy and our quality of life is at risk.” Energy Agreement at 1. The question then arises what interim standards should apply -- or, in the FIT context, what FIT reliability standards will

facilitate the implementation of the FIT program within the immediate timeframe, as the Commission intended.

C. The Working Group Process Should Not Justify Imposition Any Interim HECO Caps Or Limits.

Third, given what is at stake, SA/HSEA strongly oppose any proposal to use the Working Group process to enable, justify, or rationalize any interim HECO Caps or Limits on renewable energy penetration on any of the HECO Companies' grids. As the HECO Companies propose, one function of the Working Group, is to "validate" their reliability claims. See Attachment 1 at 2. It is the HECO Companies' burden to prove a reliability concern substantial enough to block further renewable energy development or impose a HECO Cap or Limit. Despite having the entire course of this proceeding to address this issue (not to mention that they were the ones who originally proposed the FIT program, see section D, infra), the HECO Companies still have not met this burden.

SA/HSEA and other parties will further discuss in the upcoming filing on March 23, 2010 how the HECO Companies' reliability claims are overinflated and tailored to achieve a preferred end-result. In any event, the proposed Working Group should be no basis to forestall any interim progress towards meeting Hawai'i's pressing renewable energy needs and goals, including the FIT program. Rather, it should exist and function solely to support such progress.

D. The HECO Companies' Newfound Reliability Concerns Contradict Their Consistent Position In This And Other Dockets.

In considering the HECO Companies' current proposal to limit and delay the FIT program and other renewable distributed generation pending the WG process, it bears emphasis that the HECO Companies throughout this docket supported projects up to the Tier 2 size limits, explaining that "[t]he initial target project sizes are based on utility system integration considerations." Joint Proposal on Feed-in Tariffs of the HECO Companies and the Consumer Advocate, filed on December 23, 2008 at 9. The HECO Companies also maintained that the initial target sizes "do not typically, by virtue of their operating characteristics and size relative to the utility system, require extensive and lengthy interconnection studies or the need for significant interconnection requirements." Id. The Commission relied on these representations by the HECO Companies in their written submissions and during the hearing in deciding:

Based on the record in this proceeding, projects in the first and second size tiers should enjoy relatively uniform interconnection costs and should be less likely than larger projects to need Interconnection Requirements Study ("IRS") examinations. The commission elected to use these tier cutoffs based on the HECO Companies' arguments and evidence that projects up to those sizes could be rapidly evaluated and integrated into the HECO Companies' systems at relatively low cost and with fewer reliability concerns. If experience demonstrates that these size limits do not accurately reflect the sizes of projects needing an IRS or do not reflect where economics of scale are realized, the commission will consider adjusting them at the first periodic reexamination.

D&O at 45-46. Thus, for over one year, the HECO Companies never raised any issue that the reliability of their grids would be jeopardized if Tiers 1 and 2 projects interconnected to their grids.

Moreover, the HECO Companies in their Application for Approval of a PV Host Pilot Program, filed on April 30, 2009 in Docket No. 2009-0098, proposed to install, in each year of the two-year program: four to eight photovoltaic ("PV") systems on the HECO grid ranging in size from 500 kW to 1MW for a target 4MW of PV; and four to eight PV systems on both the HELCO and MECO grids ranging in size from 500 kW to 1MW for a target of 2MW of PV on each grid. Id. at 1, 15. The HECO Companies would not have developed and proposed these projects if they jeopardized the reliability of their grids.

Despite all of the evidence in the Record in both the FIT and PV Host dockets, the HECO Companies in their February 8, 2010 filing proposed a moratorium on adding new renewable DG on their grids. Then, on February 26, 2010, they alleged that the moratorium should apply to the FIT program on the HELCO and MECO grids and also sought to renege on their agreement -- already adopted by the Commission -- to increase the limits on the Net Energy Metering ("NEM") program to four percent. Again, these allegations have not been substantiated with substantive proof and any actual reliability standards. The actual record before the Commission, however, contains thousands of pages of evidence in support of the deployment of the Tier 1 and 2 PV systems and some Tier 3 (up to 1 MW) systems. Additionally, the record establishes that until their February 8, 2010 filing, the HECO Companies remained steadfast in their position that these projects would cause no risk to their grids. The HECO Companies' brand new proposed Caps and Limits are disingenuous, and their proposed delays during the Working Group process should be rejected.



E. The Conflation Of Reliability And Curtailment Should Cease.

Finally, SA/HSEA urge the Commission to put an early and decisive end to the practice of lumping the two concepts of reliability and curtailment together under the term “FIT reliability standard.” The two concepts are completely distinct, each with their own concerns and solutions, yet using the single term “reliability standard” allows the HECO Companies to confuse and obfuscate the issues. SA/HSEA propose that the separate terms “FIT reliability standard” and “FIT curtailment standard” be used to facilitate proper discussion.

III. COMMENTS ON THE PROPOSED WORKING GROUP

With the previous comments as the foundation, SA/HSEA offer the following comments on the HECO Companies’ WG proposal. In sum, while SA/HSEA support the general concept of the WG as “an open transparent forum,” under “the Commission’s direct oversight,” Attachment 1 at 1, 2, the proposal as currently described raises many critical uncertainties and concerns:

A. Lack Of Clarity On The Scope Of Issues And Proper Procedure.

Initially, the proposal remains unclear whether any standards developed by the WG will apply only to FIT projects, or to any and all energy development mechanisms. See, e.g., Attachment 1 at 2, 8. The HECO Companies propose that the WG proceed as part of the FIT docket. If the standards to be developed may govern projects beyond the FIT program, however, then proper administrative procedure and due process may require a broader structure allowing the participation of all the affected stakeholders.

On the other hand, the WG should not become so expansive as to make the process impossibly unwieldy and delay the immediate goal of implementing the FIT program. While the meetings should be open, WG members should be limited to parties that can commit to and demonstrate active engagement in the process.

Related to the above, the HECO Companies propose to include in the WG parties outside of the FIT docket, including “two net energy metering developers” and the Public Benefit Fund Administrator. Attachment 1 at 2-3. This again raises the question of the scope of the WG process. Other parties with potentially direct interests in this process include the parties in the NEM and Rule 14 dockets, Nos. 2006-0084 and 2010-0015, respectively. Such interested parties should be allowed to petition the Commission to participate in the WG and/or TSG.

B. Lack Of Clarity On Deadlines For Solutions, And Misdirected Focus On Studying The Problem, Rather Than Producing Solutions.

The WG proposal lacks clarity on when real solutions will be proposed and actually implemented in order to avoid or end the HECO Companies’ proposed deferrals of distributed renewable projects on the HELCO and MECO grids. The proposed schedule identifies deadlines for interim and final reports to the Commission. What is needed is not more reports, but commitments to action. While the proposal indicates that “[i]mplementation of defined solutions should not wait until the end of the Working Group’s term but should be a part of an ongoing process, which includes seeking Commission approval wherever appropriate,” February 26 letter at 3-4, the

WG timetable should include deadlines for this process of identifying, recommending, and implementing solutions.

Similarly, the description of the proposed technical studies focuses predominantly on studying various aspects the existing system, with “identify[ing] technical solutions and provid[ing] cost estimates” added as an effective afterthought. Attachment 1 at 5-6. Again, the mindset of this entire process must shift from studying the status quo to implementing solutions and gearing for change.

The WG proposal omits from the proposed study any examination of the various benefits of distributed renewables from the standpoint of reliability, economics, and other considerations. By defining renewable DG as the problem, rather than evaluating their grid impacts from a neutral standpoint and even exploring their benefits and role in the solution, the proposed study proceeds from a fundamentally counterproductive premise. The proposed studies must be reframed from a more neutral and comprehensive perspective.

C. Lack Of Clarity And Problems In The Working Group Roles And Relationships.

The proposal lacks clarity on the key issues of the respective roles and responsibilities of the WG, TSG, and outside consultants, and the relationships between them. The proposal states that “[i]t would be the Working Group’s responsibility to develop near-term, mid-term, and long-term solutions,” Attachment 1 at 2, but does not indicate how it will exercise this responsibility. Instead, the proposed TSG appears to drive much of the process, relegating the WG to a symbolic role after the fact. Yet, even the

TSG's role is unclear and appears limited simply to reviewing the studies conducted by the outside contractors. In the end, the outside contractors could function as the "tail wagging the dog" of this entire process.

The proposed organizational chart illustrates the problem of the WG structure. See Attachment 1 at 4. The outside contractors are at the tail end of the flow chart, three steps removed from the Commission (and potentially four steps removed from the Commission's consultants, NRRI and NREL), yet they will be primarily responsible for conducting the technical studies and forming conclusions and recommendations.

Instead, the WG structure should be reorganized so that all of the entities and parties on the flow chart have a direct connection to the consultants conducting the studies. All of the parties should have input on the selection of the outside consultants and contractors. The Working Group members and the Commission and its consultants should be able to work directly with the consultants to develop the studies, request model runs or other analysis, and seek further information. Ultimately, the consultants should be selected by and answer to the Commission, not the HECO Companies.

The HECO Companies "recommend that an independent facilitator be used to guide the Working Group process," but leave unclear how the facilitator will be selected, and what "suitable authority" he or she may have. Id. at 3. SA/HSEA strongly recommend that the Commission select the independent facilitator, potentially based on nominations by the WG members. The Commission should consider another, public funding source instead of the HECO Companies, if possible.

D. Problems In The Proposed Technical Study Group.

As mentioned above, the description of the proposed TSG remains unclear, but already raises major concerns:

First, the HECO Companies provide no basis for including certain parties in this group, while excluding others such as the Consumer Advocate and renewable industry interests. All stakeholders should have a representative on the TSG.

The renewable industry, in particular, can provide important perspective and expertise on technical reliability issues. It has specific expertise on the renewable energy systems that are the subject of the HECO Companies' concerns. Indeed, the HECO Companies contemplate that industry members "provide project performance and other similar technical data" to the TSG. *Id.* at 5. Finally, industry members may well be responsible for implementing technical solutions.

Renewable industry interests should be allowed to participate in the TSG or select representatives for the TSG. Their exclusion from the HECO Companies' proposal is unacceptable.

Similarly, the HECO Companies propose WG members will be provided "reasonable access to the methodologies, assumptions, and non-confidential data used in the technical studies." WG members should have access to as much information as possible, and the burden should be on those seeking secrecy to justify it in this process, in light of available mechanisms to protect truly confidential information.

Likewise, the HECO Companies fail to justify their selection of the Electric Power Research Institute (“EPRI”) as the only non-public member of the proposed TSG. Id. at 4. If EPRI is included, then similar organizations with additional perspectives such as the Interstate Renewable Energy Council (“IREC”) should also be included. That is, if a utility-sponsored/funded research institute is to be included, then those with technical knowledge of the issues but without the utility-centric perspective should be included as well. SA/HSEA further note that EPRI’s involvement may be particularly problematic because most parties will not have access to EPRI reports and position papers, which is restricted to the organization’s utility-based membership.

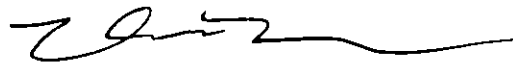
The HECO Companies propose to chair the TSG. Id. at 3. If the TSG is to function as a neutral expert body, then a neutral party should chair it. This could include the independent facilitator whom the HECO Companies recommend to guide the WG. Currently, the HECO Companies fail to make clear the independent facilitator’s role in relation to the TSG.

The actual role of each of the TSG members needs to be clearly defined from the outset, beyond simply indicating that they will be present. If the non-utility parties are limited to mere attendees and observers (as often is the case in these processes), then the process will only serve to validate the HECO Companies’ desired outcome with the claim that they “collaborated” with other parties.

E. Request For An Additional Opportunity To Comment On Final WG Proposal.

Finally, since so many of the key details of the HECO Companies' proposed WG process remains unclear and subject to change, limiting the parties' ability to comment on the proposal, SA/HSEA hereby respectfully request the Commission to allow the parties an opportunity to submit additional comments after the HECO Companies submit a better developed proposal on their proposed date of March 31, 2010.

DATED: Honolulu, Hawai'i, March 15, 2010.

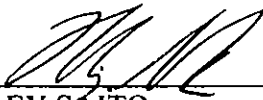


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Respectfully submitted.

DATED: Honolulu, Hawaii,



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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this date, a copy of the foregoing document was duly served by first-class postage prepaid mail and electronic mail to the following parties addressed as follows:

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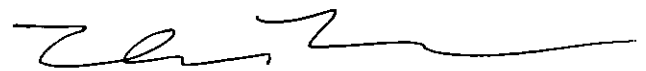
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